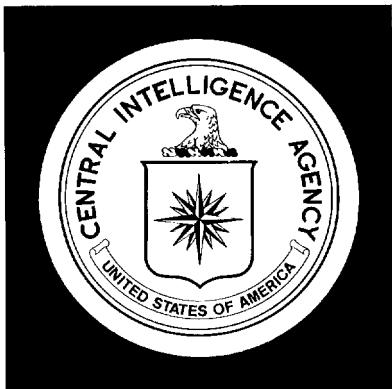


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**Pace Slows in Soviet Grain Harvest
(Million hectares)***

Week of	Cut	Threshed
Aug 15-21	6.5	5.7
Aug 22-28	6.8	4.7
Aug 29 - Sept 4	10.2	5.7
Sept 5-11	9.1	6.4
Sept 12-18	5.7	5.3
Sept 19-25	4.1	7.7
Sept 26 - Oct 2	1.9	5.9
Oct 3-9	1.1	4.5
Million hectares remaining	9	11

* 114 million hectares were sown to grain on state
and collective farms.

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USSR: There is a near record lag in completing the grain harvest. Ten percent of all grain still had not been threshed as of 9 October.

The grain harvest in the Russian republic, which produces about 60 percent of all Soviet grain, has not been completed. The crop here will be down sharply this year because of drought in much of European Russia. Moreover, in Siberia potentially high yields now are threatened by the rain, snow, and sleet of the past two weeks. Cool rainy weather earlier in the summer delayed the ripening of the crop by at least two weeks.

In the two remaining major grain-growing republics, the Soviets claim that a decline in the gross output of the Ukraine was offset by a record crop in Kazakhstan of 27 million tons. The Soviet figure for Kazakhstan, however, reflects an unusually high moisture content because of this fall's exceptionally wet weather.

Two Soviet spokesmen have given estimates for this year's gross grain output: one at 160 million tons and the other at "no less" than the average of 1966-70, or about 168 million tons. Official Western estimates center around 160 million which would yield only about 128 million tons of net usable grain--gross output minus moisture, waste, and trash. [redacted]

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EUROPEAN COMMUNITIES: The nine participants at the summit that opens tomorrow in Paris will seek to inject more vigor into the European Communities, but their specific achievements are likely to be modest.

With respect to the community's external relations, German officials have voiced considerable confidence in the last few days that the summit will recognize the need for a continuous EC-US dialogue on outstanding problems. The French, however, fear that formal consultative arrangements will weaken the effort to establish a European "identity."

The summit leaders are likely to respond favorably to US hopes for a re-endorsement of the EC's commitment to participate constructively in a new round of trade negotiations. They may also avoid any formal commitment at this time to the proposed new Mediterranean policy, to which the US has been taking vigorous exception. The community leaders seem likely to emphasize generally the EC's increased sense of responsibility to do something more for the developing countries.

On internal policies, there are no new obstacles to approval of the proposed new European monetary fund as a step toward monetary union. The summit may encourage action on anti-inflationary measures that EC authorities have been considering during the past few weeks. The US would stand to benefit from some of these, such as a freeze on agricultural prices and a temporary 15-percent reduction in the EC's common external tariff. Such proposals, however, face serious political obstacles within EC countries.

The summit could begin adjusting the EC's priorities, which up to now have allotted roughly 90 percent of the community's expenditures to the subsidization of agriculture. Britain and Italy, in

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particular, are expected to make a major effort to obtain some commitment to a community-financed program to encourage redevelopment in backward or depressed community regions and provide increased social benefits generally. Most of the summit participants seem reconciled to a persisting impasse over institutional reform, but they probably will agree that some improvement in the European Parliament's role is desirable.

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YUGOSLAVIA: Tito is seeking a purge of top Serbian party leaders who have not heeded his demand for more obedience. His move to oust the defiant Serbs, however, probably will encounter stronger resistance than the purge of Croat leaders last year.

Tito's attack began on 16 October with a speech criticizing unnamed Serb party leaders for opposing his demands for a recentralization of the party and for permitting factional activity, including attacks on his methods. He called on the republic central committee to throw out errant party leaders. He also said that this decision came after four days of fruitless debates between representatives of the highest level federal and Serbian organizations.

Tito's actions closely parallel his tactics in purging the Croat party leadership last December. This time, however, Tito tacitly admitted that a majority of the Serb speakers at the four-day meeting did not agree with his assessment of the situation in Serbia. He has made it clear that he will not back away from his stand, no matter what the Serb leaders do.

Tito's immediate target is Serbian party boss Marko Nikezic. Nikezic, who became party leader during a wave of liberal reforms of the conservative republic party in 1968, has differed frequently with Tito over proposed strengthening of the party's central authority. Nikezic's appointees now control most of the top party posts at the republic level. Nevertheless, it remains to be seen whether they can stand firm against Tito's demands and pressure from rural central committee representatives who tend to be more conservative.

Tito probably will prevail because he has the authority--backed up by loyal military and security service support--and he has the will to use it. He may again have to threaten its use, as he did

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in Croatia, to overcome opposition. The Serbian purge, however, may pose other problems. Yugoslavia's other nationalities traditionally fear the tendency of the Serbs to mix political orthodoxy with chauvinism. The creation of a more conservative regime in Belgrade thus probably will cause tensions elsewhere, particularly in Croatia and the Kosovo. [redacted]

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CARIBBEAN: Guyana, Jamaica, Trinidad and Tobago, and Barbados have agreed to follow a joint policy toward Cuba, but the latter three countries may be more hesitant than Guyana in normalizing relations with Havana.

The opening toward Cuba was the most important result of the conference of Commonwealth Caribbean Heads of Government in Port-of-Spain last week. Prime Minister Burnham of Guyana undoubtedly provided the impetus for the announcement at the end of the meeting that the four countries would exercise their "sovereign rights" to seek "the early establishment of relations with Cuba whether economic or diplomatic or both." Guyana will probably establish relations with Cuba within a few months.

Jamaica, concerned with maintaining its third-world image and protecting the 20,000 Jamaican citizens in Cuba, may follow by opening a consulate in Cuba. Jamaican commercial relations with Cuba are now handled by the British, even though Havana has a consulate in Kingston. There are no significant domestic pressures in Barbados or Trinidad and Tobago to recognize or trade with the Castro government, however, and they are likely to procrastinate.

Havana has not yet reacted officially to the announcement, but undoubtedly is pleased, even though Burnham probably will prefer to maintain relations on a non-resident basis. In any case, this announcement will further erode the OAS sanctions against Cuba.

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ITALY: Negotiations open this week for the machine and metal workers' three-year contract, the key to labor peace this fall.

Government leaders fear some echo of the "hot autumn" of 1969 when labor violence centered on this contract. The contract has set the pace for wage and fringe benefits in other sectors of the economy. The economy is only now showing signs of recovery from a two-year slump, in part induced by the contracts of 1969 that were highly beneficial to labor and costly to industry.

Agreement on a major contract for chemical workers on 10 October enhanced prospects for a moderate settlement. However, the machine and metal workers are demanding an estimated 20- to 40-percent increase in fringe benefits and wages.

The government of Prime Minister Andreotti will take part in the negotiations. Andreotti has an unusually narrow parliamentary base, and a number of political leaders, both inside and outside the government, are waiting for him to stumble. A favorable outcome would help the government's standing in scattered local elections next month.

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SENEGAL - PORTUGUESE GUINEA: The UN Security Council will meet tomorrow to discuss Senegal's latest charge of an incursion by Portuguese troops.

The essential facts of the case are not disputed by either party. Three to five armored cars entered Senegal from Portuguese Guinea on 12 October and attacked a military post in a border village, resulting in two Senegalese deaths and one wounded. In an unusual conciliatory move, General Spinola, Lisbon's governor general and commander in chief in Bissau, promptly issued an apology for the incident, which was attributed to the "mental disorders" of the Portuguese unit commander acting against orders. The apology included an offer to pay indemnities and a promise to court martial the errant commander. Nevertheless, President Senghor of Senegal is insisting on airing the incident in the Security Council, a typical Senegalese procedure for publicizing such border incidents and bringing political pressure to bear on Lisbon.

Lisbon's contention that this raid was unauthorized seems plausible. Although Portugal has used actual and threatened military action to force Senghor to restrict use of his territory by the rebel movement that for nine years has been waging a guerrilla war in Portuguese Guinea, the level of recent rebel activity would not seem to justify so strong a Portuguese reaction. Moreover, the timing of the incident would have been particularly bad for Lisbon. Rebel leader Amilcar Cabral has been presenting his movement's case at the current session of the UN General Assembly. Moreover, he claimed that his movement will soon declare independence and asked whether it would be admitted to the UN. Concern over this development could explain Lisbon's quick apology. [redacted]

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CHILE: The shutdowns and strikes of protest against the Allende government continue to spread, but press reports of violence appear to be exaggerated. Many Chileans dependent on private business or the professions probably have joined the protest because they share the feeling that unless the private sector stands up against the government, what role it still retains will be whittled to nothing. Most of the antigovernment activity seems uncoordinated, however, making it less difficult for security forces on full alert to maintain order thus far.

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EAST GERMANY: Pankow took the occasion of its ratification of the inter-German traffic treaty on 16 October to announce additional detente measures. The parliament enacted a law that absolves from criminal prosecution those East Germans who fled to West Germany between 1961 and 1972. This law also strips them of East German citizenship. By lifting Pankow's legal claims against the refugees, the new law could pave the way for additional thousands of refugees to visit relatives in East Germany. Pankow has also put into effect other travel privileges, including the opportunity for East Germans to travel to West Germany on urgent family matters. In addition, Foreign Minister Winzer announced that the two Germanies were ready to begin negotiations on an air traffic agreement. Such actions are consistent with Pankow's efforts to appear conciliatory on practical matters in the West German pre-electoral period while holding firm in negotiations on key political issues.

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INTERNATIONAL OIL: The oil ministers of the Arab Persian Gulf states of OPEC have not yet accepted the terms of the tentative participation agreement negotiated with the oil companies by Saudi oil minister Yamani. Yamani probably will attempt to work out the difficulties with the companies by the next Gulf ministers' meeting on 25 October. The two main features of the agreement are the rate of participation, initially set at 25 percent and rising to 51 percent in 1983, and the amount of compensation to be paid the companies for their assets. Yamani had been concerned that Iraq might balk at the compensation formula, which is based on a modified book value of assets and is considerably higher than OPEC's original offer of net book value. A special meeting of all OPEC members has been scheduled for the day following the Gulf ministers' meeting.

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JAPAN: Tokyo has moved to guarantee the free movement of US military vehicles within Japan. The cabinet announced on 17 October that it will permit the use of local roads for the transport of over-sized and over-weight vehicles without prior application procedures. Since early August, difficulties in obtaining permits from local authorities in the Tokyo area have impeded the transfer of military equipment destined for Vietnam. Implementation of the cabinet order will deprive the opposition parties of the legal tool that they have used to hamper US military support operations in Japan. Leftist spokesmen have denounced the decision and will attempt to intensify pressure on the government to seek an over-all reduction of the US military presence.

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JAPAN-US: Exports to the US last month reached a record monthly high, boosting the bilateral trade surplus to more than \$2.9 billion through nine months of this year. The surplus, which will undoubtedly reach \$4 billion by the end of this year, has been the result of a steady rise in Japanese exports to the US combined with a nearly constant level of imports from the US. Japan's exports to the US are up 19 percent for the first nine months of 1972 compared with the same period last year, while imports from the US have recovered from the disastrous last half of 1971 but only to the level of late 1970 and early 1971. Recent Japanese moves to reduce the surplus will do little to reverse this trend this year. In fact, increasing talk of another yen re-valuation may encourage a speed-up in exports while causing Japanese importers to postpone purchases.

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